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## Chapter 6

### HOUSING

(02/23/2023 DRAFT) Version 1

(Need to integrate Housing Plan Numbers)

#### Housing: How We Live

The developed portion of Shelter Island is predominantly residential and expensive with the median price of a home reported at \$1,475,000 in 2022. It is made up of the Town of Shelter Island, which has three small business clusters, Shelter Island Heights, the Town Center and West Neck Road; the entirely residential incorporated Village of Dering Harbor; and Mashomack Preserve, comprising one-third of the island and owned by the Nature Conservancy.

#### How many and what kind of housing units are there?

The 2022 Assessment Roll is probably the most accurate count of housing on the island and it is most clearly visioned in chart format. The approximate total of 2,617 from the 2022 Assessment Roll data is far less than the 2020 Census number of 3,401 housing units. What accounts for this discrepancy?

# of Roll Units	Property Class	Property Class Description	Notes
2428	210	Single Family	
7	220	2 Family	Additional Housing Units: 7
27	260	Seasonal	
7	270	Mobile Home	
6	411	Apartment Buildings	Additional Housing Units: 19
3	417	Cottage Communities	Additional Housing Units: 22

38	418-570	Mixed Use	Includes B&Bs with an owner's apartment to mixed use buildings - Estimate
54	581-680	Churches, Camps, Co-ops	Church housing, housing at the camps & Pridwin, Dering Harbor Cooperative Apartments - Estimate
2570			Subtotal: Properties
2617			Total: Housing Units

There are 212 “dependent residences”. Some of these dependent residences are rented year-round, seasonally, or as short-term rentals, while others are used for guests and family. Adding the parcels with single family dwellings, the 27 seasonal residences, the mobile homes and the 12 units in two-family homes, to the 212 dependent residences results in a total of 2,688 housing units. Exploring the assessment rolls further it is notable that many properties have additional structures that may use as housing: there are 28 Cabins (CC1); 44 Standard Pool Houses (LR2); 27 Deluxe Pool Houses (LR3); 200 Garages with Apartments (RG7). These add another 299 potential housing units for a potential total of 2,987 housing units. This number approaches the January 2021 PSEG, the Island’s electricity utility, listed number of 3111 total residential accounts, including Dering Harbor, of which 259 were inactive and 41 vacant. The number of housing units is somewhere in the range of 2,987 and 3,401 but because PSEG LI and the Assessment Roll are within 3% of each other, there is confidence in a number approaching 3,200.

**How many vacant parcels remain?**

According to the 2022 Assessment Roll, excluding Town and County owned and Mashomack Preserve and Sylvester Manor, there are 563 parcels that are vacant or vacant with a small improvement such as a dock or shed. These total 879 acres and include land that lies in a commercial area but nonetheless may be used for a house.

If we count only those parcels that are 0.3 or greater in acreage, the vacant parcel count drops to 460. The properties that have homes or structures on them already but can still be subdivided alter this picture greatly.

### How many seasonal or part time housing units are there?

There are many ways to characterize Shelter Island residents who do not live here year-round. Some are domiciled elsewhere but come to the Island regularly throughout the year. Others spend one or more months on the island in the summer. And many are visitors for shorter stays. To estimate seasonal or part-time units, this study uses census count data from 2010 as well as the location of property-owners' tax bill addresses as a proxy for year-round or seasonal housing units. As noted above, the Shelter Island assessor codes a small number of houses as "seasonal," a code that the State Department of Taxation and Finance describes as "Dwelling units generally used for seasonal occupancy; not constructed for year-round occupancy (inadequate insulation, heating, etc.)."

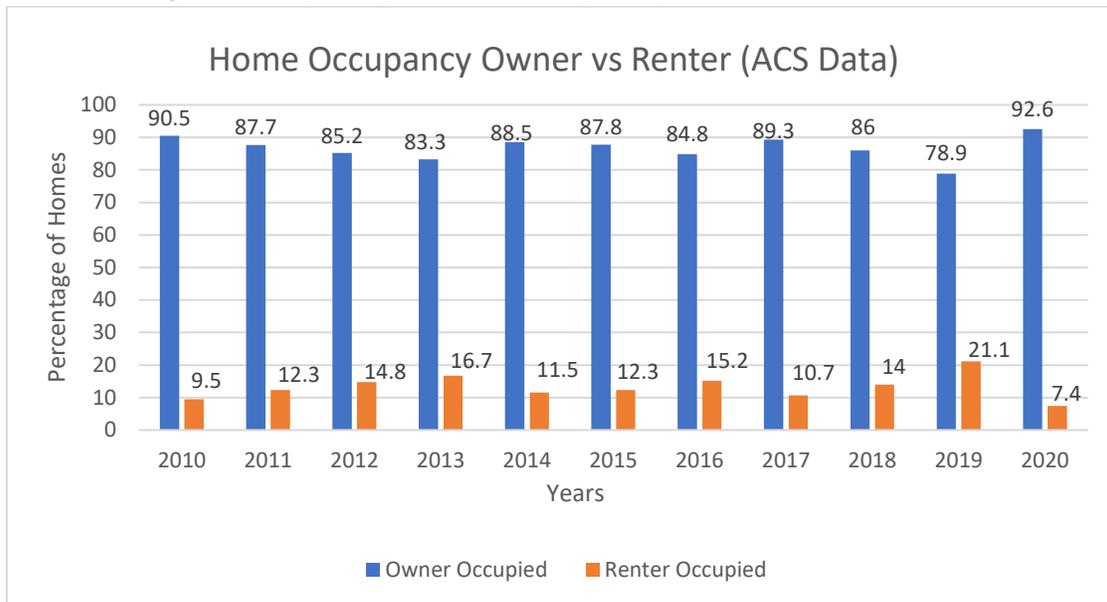
Suffolk County data from the 2010 Census clearly use a different definition, showing 52% of units in the Town of Shelter Island as seasonal. An analysis of tax bill addresses in the 2020 assessor's parcel data suggests that approximately 44% of residential properties in Shelter Island are owned by full-time residents or owners who spend enough time here to receive important mail, while approximately 56% are domiciled off the island. Compared with the 2010 data from Suffolk County, this indicates growth in the off-island percentage of property owners. Note that the number of residential parcels does not include the additional dependent units. The distribution of dependent units between year-round and seasonal residences has not been compiled. Owners with off-island tax addresses also own the majority of vacant residential land. The best estimate for seasonally used (not year-round) housing units is 1390 units with off-island addresses. Because dependent units and illegal units are not included, this number may slightly undercount seasonal housing units.

<b>Residential Parcels by Taxpayer On-Island or Off-Island Address 2022 Assessment Roll</b>				
	Built Residential		Vacant Residential	
	Number	Percent	Number	Percent
On-island Address	1079	44%	202	36%

Off-island Address	1390	56%	361	64%
<b>Total</b>	<b>2469</b>		<b>563</b>	

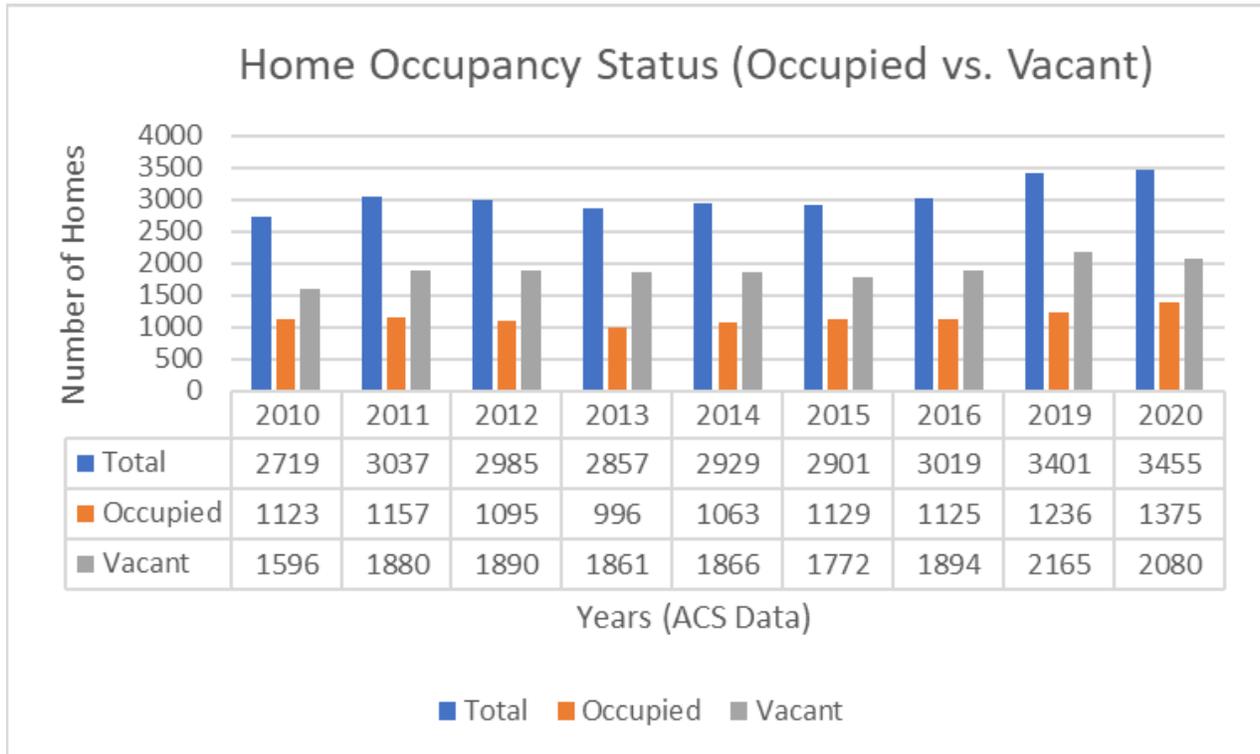
### What’s the balance between owner occupied, renter occupied and vacant units among full-time residents?

The majority of full-time residents live in owner-occupied housing. The percentage of year-round occupied housing units that were rented has fluctuated over the last 10 years ranging from lows of 7.4% (2020) and 9.5% (2010) to the highest rental rate being 21.1% (2019) and 16.7% (2013).



<b>Town of Shelter Island Year-Round Housing Tenure</b>				
	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>
Year- round occupied units	975	996	1211	1375
Owner-occupied units	810	836	1096	1273
% Owner-occupied units	83%	84%	90.5%	92.6%
Renter-occupied units	165	160	115	102
% Renter-occupied units	17%	16%	9.5%	7.4%
Source: US Census				

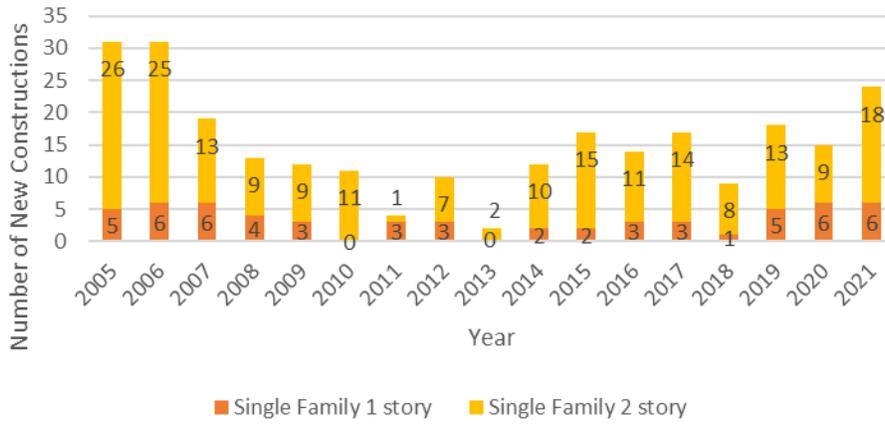
Another factor to take into consideration when analyzing the housing stock and usage on the Island is the relationship of vacant homes to occupied homes. On average 62% of the housing stock on Shelter Island is vacant according to ACS estimates.



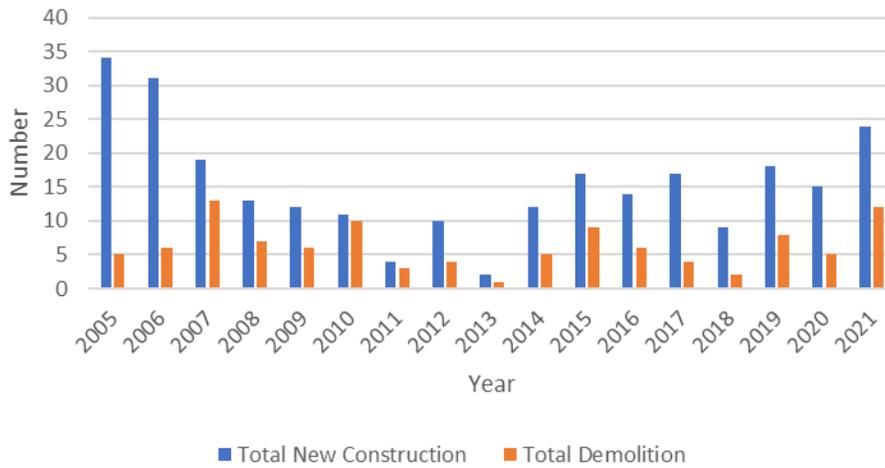
### How much new construction has been occurring?

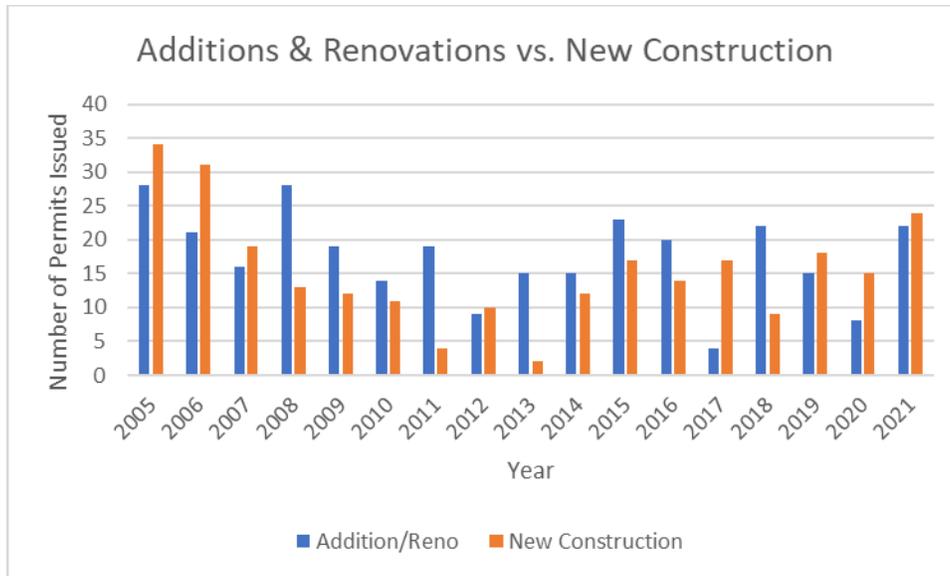
Building permit data show a building boom in 2005 and 2006 followed by a dip in construction after the Great Recession, and a relatively consistent but modestly increasing level of construction from 2014. The number of new construction single family houses (262) represents a small percentage of the overall housing numbers. For example, 15 new houses would represent 0.6% of the 2,458 single family housing units in the assessor’s database for 2020. Over the course of these 15 years there were 106 demolitions, resulting in a net increase of 156 single family homes, which constitute 6.2% of the 2,458 single family properties in the assessor’s database.

### New Construction Based on Shelter Island Town Building Department Data



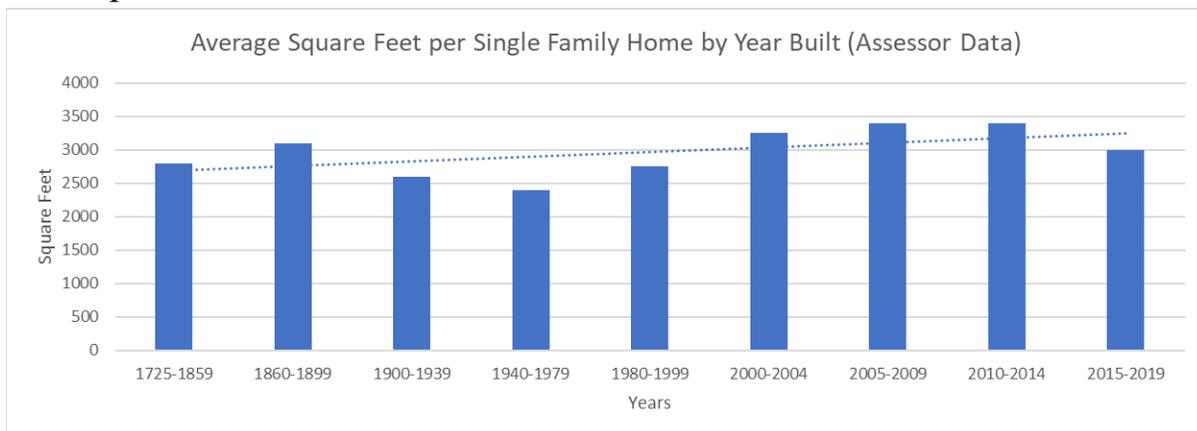
### Total Demolition vs New Construction



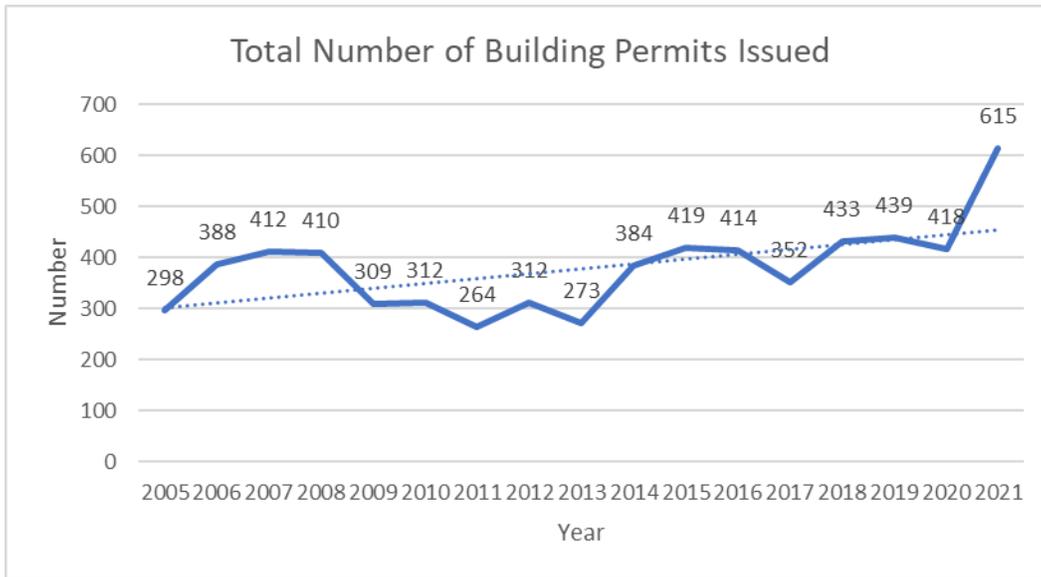


### Are houses getting bigger with more amenities?

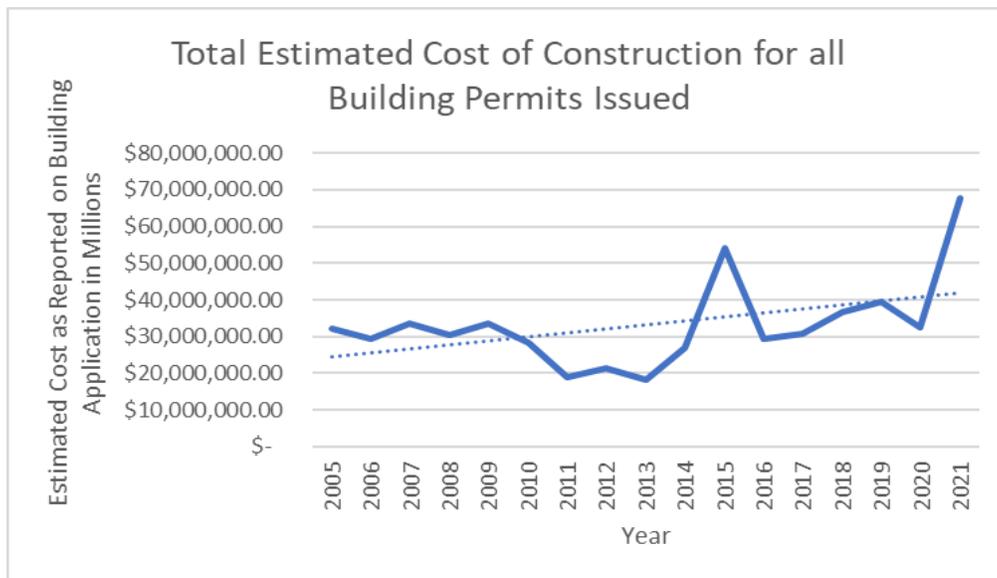
There are a few very large houses on Shelter Island. Assessor’s data show that the median single-family house has 2,007 square feet. On-island taxpayers have slightly smaller houses with a median of 1,900 square feet, and off-island taxpayers’ houses are slightly larger at 2,090 square feet. The Town requires a special permit for new houses over 6,000 square feet, which may temper interest in building bigger homes. An analysis of data from the Assessor’s Department shows that the average size of houses built since 2000 is larger than that of houses built in earlier periods.



\*Note: the graph shows the current size of houses, including all additions, not just the size of a house when it was first built.

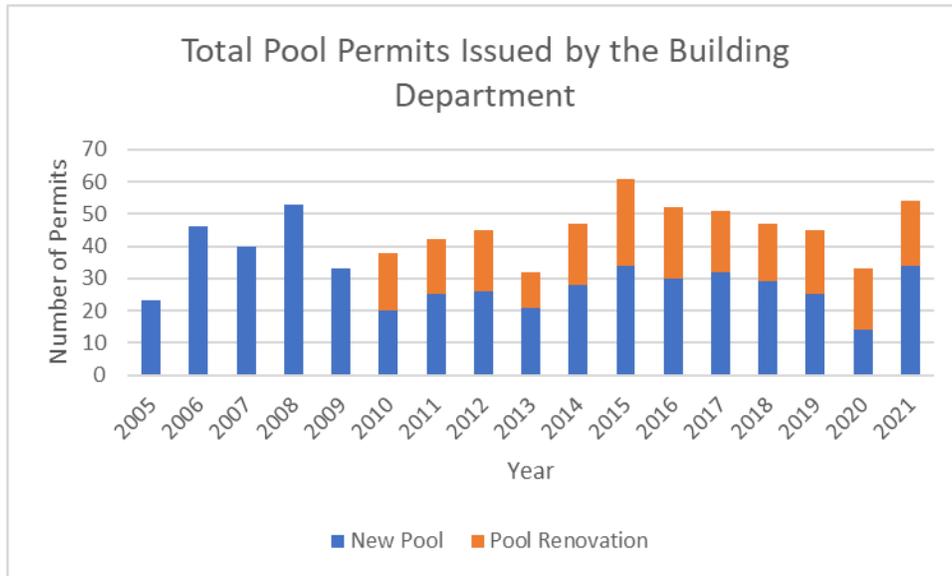


\*Note grandfathered irrigation permits have been removed from the data set because they were introduced in 2015, are not new construction, and skew the data. Irrigation permit data can be found in the environmental chapter of this plan.



In the years where there were lower estimated costs of construction there were an increase in permits for renovations and additions as opposed to new construction. This is most likely a reflection on the economy at the time.

Building department pool permit data for the 2005-2021 period show a total of 513 permits for new swimming pools, and 229 permits for pool renovations (new liners, demo and rebuild etc.) with the largest annual numbers in the years 2008, 2015, 2021. Assuming these pools are on separate single-family properties, the numbers suggest more than 20% of Island single family properties have pools.

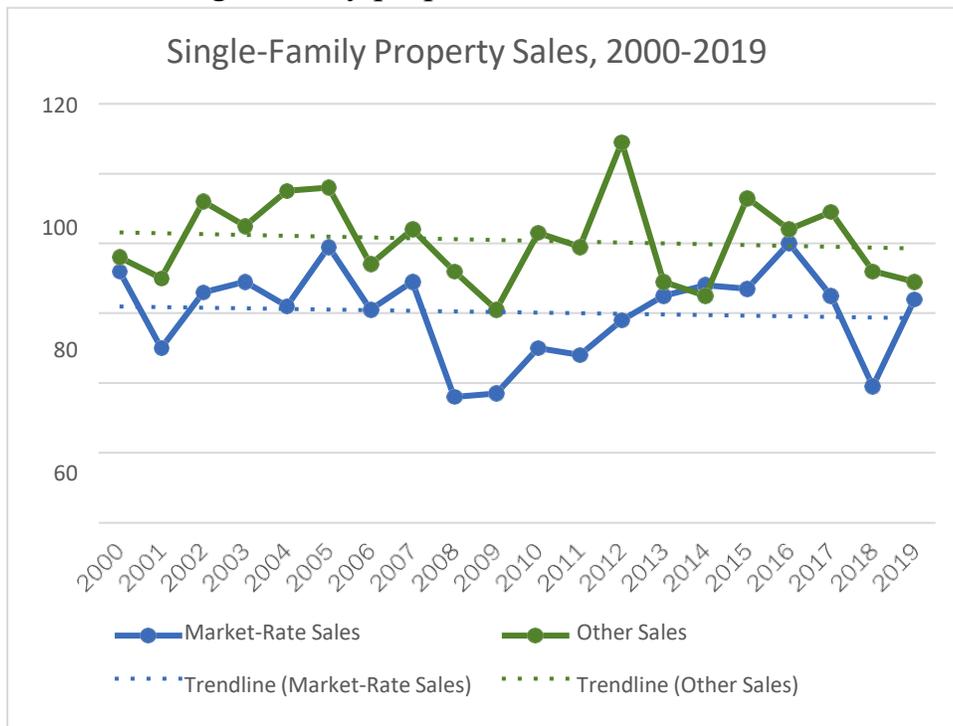


\*For the purpose of this graph the following were considered luxury items: tennis and pickle ball and basketball courts, pool houses, pools (new and renovated) and hot tubs

The increasing trend in estimated cost of construction, the number of building permits being issued, the average square feet of homes and the number of luxury items speaks to a trend toward larger more expensive homes with more amenities.

### What are the trends in sales and other real estate property transfers?

Data from the Shelter Island Assessor’s Department suggest that many properties on the island are transferred within family or other personal networks, perhaps as part of the generational transition as the large Baby Boomer cohort grows older. The assessor’s department assisted with the identification of sales of single-family properties that appear to be at market rate versus other transfers that appear to be at reduced prices, for example, transfers for \$1. Between 2000 and 2019, market-rate sales ranged from 34 in the recession year of 2009 to 81 in the boom year of 2005. The years affected by the Great Recession show lower sales, as does 2018, which was affected by tax law changes. The graph shows that there were usually fewer market rate sales of single-family properties than other transfers.



### How much does Shelter Island housing cost?

Housing and land on Shelter Island are expensive, like in other seasonal vacation island communities near affluent metropolitan areas. When discussing the high cost of housing, Islanders typically say that the “lower end of the market” for a modest house is \$800,000. The assessor’s data for market-rate sales shown earlier (2000-2019) indicate that the median price of single-family properties was already over \$700,000 by 2004. The median sales price data is organized using property codes that distinguish Waterview and Waterfront properties from Inland properties and includes vacant residential lots as well as parcels with houses. Not

surprisingly, waterfront property typically costs substantially more than inland property, but prices depend on many different characteristics of the property. In addition, as is usual on Shelter Island, the small sample sizes leave the data vulnerable to being skewed by 1 or 2 sales at the market extremes.

Median Sale Price for Residential Properties					
	2018	2019	2020	2021	2022
Built Property					
Inland	\$855,000	\$799,000	\$945,000	\$950,000	\$985,000
Waterview	\$1,200,000	\$950,000	\$825,000	n/a	\$1,610,000
Waterfront	\$1,950,000	\$1,662,500	\$2,812,500	\$2,800,000	\$3,300,000
Vacant Property					
Inland	\$379,000	\$340,000	\$420,000	\$500,000	\$515,000
Waterfront	\$937,500	n/a	n/a	\$3,000,000	\$3,137,500
Assessors' Data – Excludes Non-Market Transactions					

**What is the tax burden for a single-family house?**

The median single-family house tax bill based on the 2022-2023 \$6.3761 in total tax levy rate per \$1000 in assessed value is \$6,376.10. According to the Empire Center’s Benchmarking project, in 2019 Shelter Island was listed as among the 20 municipalities with the lowest effective tax rates on Long Island, which were among the lowest in the state. Localities in Southampton, East Hampton, and Fire Island were the only towns that had tax rates lower than Shelter Island.

**What do we know about short term rentals and rental management?**

The lucrative nature of the summer rental market on Shelter Island, where the rental price for a house rented from Memorial Day to Labor Day can be \$70,000, or more, depending on size and location, and the emergence of services such as Airbnb, VRBO, LuxuryRetreats.com, Booking.com, and dozens of others have encouraged the growth of short-term rentals (STR) on the Island. These rentals on Shelter Island are predominantly for single family housing units rather than apartment-style dependent residences. They typically host seven people for short periods, though houses with many bedrooms can host many more. The Island is also beginning to see the presence of online platforms

that provide management services to owners that range from marketing, optimizing pricing and managing payments, to property maintenance. These companies tend to professionalize the STR market within Shelter Island's tourist industry.

The adverse impacts of many STR houses with large groups of vacationers for short periods has been seen in neighborhoods in many well-known cities that attract visitors, such as Austin, TX and New Orleans, LA. In addition to the impacts on residents' quality of life, the STR phenomenon in Shelter Island may also contribute to a reduction in year-round rentals because the revenue from STR can be much more than year-round rental revenue.

As did many municipalities worldwide, the Town of Shelter Island enacted a short-term rental law to impose licensing and advertising requirements for certain vacation rentals; prohibit certain vacation rentals from being rented more than once in any fourteen-day period; provide civil penalties for violations; and empower the Town Board to implement the law. The new legislation was very controversial and subsequently challenged in court. Although the Court dismissed almost all of the plaintiffs' claims, the survival of the Fourth Amendment claim (unreasonable searches and seizures) resulted in Shelter Island amending its STR Law in May 2019, including many exemptions and eliminating penalties for violations.

The Town engaged a firm, Host Compliance, to provide information services to facilitate enforcement. The firm provides real-time monitoring of the short-term rental market and access to the information by Town officials. Relevant statistics are shown below from a March 2020 presentation to the Town Board:

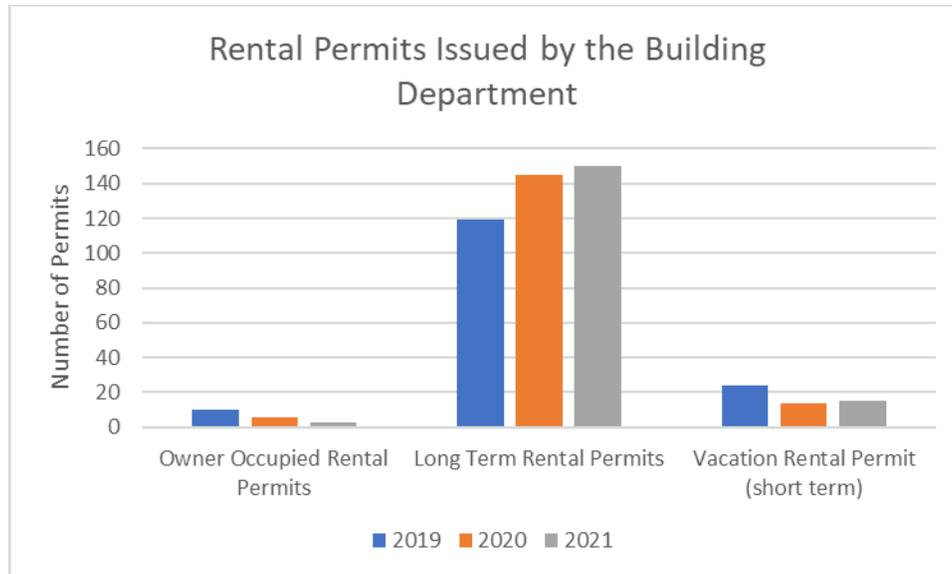
- 294 listings in or near the boundaries, representing 191 unique rental units
- Annual growth rate of 6.2% in listings and 4.6% in units.
- Listings are frequently removed, and reposted, and new listings created.
  - From March 2019 to March 2020, 194 listings became inactive, 100 were reposted, and 112 were new postings. Of the listings active in March 2020 (when the pandemic impacts were just becoming evident), 69% were not on the platform in March 2019.
- A December 2, 2020, monthly status report from Host Compliance reported the following:

- 170 properties in or near Shelter Island, 166 with addresses
- 63 compliant short-term rentals
- 97 non-compliant properties
- 10 properties with unknown compliance

The turnover and change in listings may reflect the opportunistic character of many listings as owners decide on when they and their family and friends will be vacationing in the house, if they are looking for income or not, if they are experimenting with using these platforms rather than older ways of getting summer tenants, and so on.

In 2019 the Town Building Department began issuing rental permits, in accordance with the new short-term rental legislation. The three types of rental permits are Owner Occupied, Vacation (Short Term), or Long Term.

Town Code defines an owner occupied rental as a residential property on Shelter Island which may be rented as often as desired and without limit as to frequency or duration of term where one of the following is simultaneously domiciled on the same or immediately adjacent lot (including a legal accessory structure or bedroom) with tenant or tenants during a rental term: the owner, trustee, beneficiary or settler (if a trust), President or majority shareholder (if a corporation) or member (if an LLC or partnership). A vacation rental license permits the owner to rent the licensed premises one time in any fourteen-day period. The fourteen-day period referenced above shall commence on the first day of the term of the initial rental and continue for the 13 following days. A vacation rental license is valid for two calendar years to run concurrent with property registration at which time it must be renewed. An owner cannot have multiple vacation rental licenses. A long-term rental license states that the rental must be for 15 days or longer.



### Affordable and attainable housing

Shelter Island real estate has long been expensive and the need for affordable housing for on-island workers has been under discussion since the 1994 Comprehensive Plan, if not before. The robust summer rental market has also resulted in a shortage of affordable year-round rentals as the rental income from the three summer months typically exceeds the revenue from a full-time rental. In the past, people seeking year-round rentals could find September to May housing but sometimes had to find other options during the high summer season of June through August, doubling up with family or even living in campers or boats. The effect of the short-term rental market has also resulted in few options for town and school employees, other workers, and seniors wishing to downsize or sell their homes to raise funds to supplement their retirement and move to an affordable rental apartment. Full-time Town employees are currently required to live on the island, unless given an exception by the Town Board.

Younger working families who wish to buy a single-family home find few options below \$800,000. For example, the starting salary for a full-time police officer, who is required to live on the island, is \$64,824 in 2020. To buy an \$800,000 house with a 10% down-payment of \$80,000 (which may not be available), an income of approximately \$185,000 per year would be required for 5%, 30-year mortgage. This would result in a monthly principal and interest payment of about \$3,865 on a 30-year mortgage; taxes and insurance would add approximately \$700 per month. Young families need two primary incomes and/or multiple (combination of full and part time) jobs to approach purchasing a single-family home on Shelter Island.

There is a very limited supply of rental apartments. Some property owners rent apartments that are not legal under the zoning code. As noted earlier, 2010 census data in which households reported their housing tenure show rentals as of April 1 to be 244 units, almost 22% of the 1123 occupied Shelter Island units at that time. The monthly rental for a one-bedroom year-round apartment is reported to be approximately \$1,100 to \$1,200. Using the rule of thumb that housing costs should not be more than 30% of income, Shelter Island households with incomes at or below \$40,000 would find it difficult to pay \$1,000 in rent if they are lucky enough to find a rental. In practice, they are likely paying more than 30% of income in housing costs.

Renters seeking year-round housing find out about it by word of mouth. Landlords report that when they have a rental opportunity, they quickly receive multiple calls about the property. There are also an unknown number of room rentals that accommodate lower-income individuals. A few businesses with seasonal employees provide housing for their workers. The 1994 Comprehensive Plan reported that only 6 percent of Shelter Island year-round households could afford to buy a house costing \$200,000 or more, less than the median value of an owner-occupied home in 1990. The plan's goals and objectives included: "Create and maintain affordable housing opportunities for the diversity of age and income groups that make up Shelter Island's year-round population." The plan called out young working households, first time homebuyers, and elders as groups that could benefit. It also suggested creation of an on-island organization to facilitate affordable housing. The only affordable housing initiative implemented since the 1994 Comprehensive Plan was in 1996. Six affordable houses were sold via lottery to local residents including Town employees and volunteer firemen. It appears that there was no deed restriction for time-limited or permanent affordability, so those houses are now at market value.

In 2005, a proposal to the Town Board was not pursued: The Town would buy a property of five to seven acres and allow 5-10 homes to be built and sold with a long-term land lease. In this model, the housing is more affordable because the buyer does not own the land. A nonprofit organization, Shelter Island Housing Options (SIHOP) was created in 2000 to raise money for affordable projects. After a period of reduced activity, SIHOP has recently been revived. SIHOP does not envision ownership and management of rental housing.

The Town Board passed a Community Housing Law in June 2008 to facilitate housing for workers which has subsequently been amended. There are three

primary features of the legislation: creation of a Housing Registry for people to express interest in affordable housing; a Special Community Housing License (SCHL) process; and a Community Housing Floating Zone. The Community Housing Board is charged with implementing the law. The 2009 Comprehensive Plan Advisory Committee Report (the plan was not adopted) identified continuing challenges to creating affordable housing, rated progress on achieving affordable housing objectives as mediocre, and supported the goal of affordable housing from the 1994 plan.

Recently, in response to new legislation proposed and adopted at the County level the Town Board established the Community Housing Fund Advisory Board to develop, with the aid of consultants, a Community Housing Plan for the Town of Shelter Island. That Plan follows here:

### **Insert Board Approved version of the Community Housing Plan**

#### **Findings:**

- Ninety-eight percent of housing units on Shelter Island are single family houses.
- More than fifty percent of housing units and residential vacant land is owned by taxpayers with off-island tax addresses.
- Waterfront property is also owned predominantly by off-island owners.
- Over the 2005-2020 period, there was a net increase of 156 new single-family homes (new houses minus demolitions). The overall average in new construction was 7.5 new houses per year.
- The median size of single-family houses is 2,007 square feet, with off-Island taxpayers' houses slightly larger at a median of 2,090 square feet.
- Housing and land are expensive. In 2020 dollars, the annual median sales prices for the years 2015 to 2020 ranged from \$728,508 for an inland house in 2015 to \$3 million for a waterfront house in 2020.
- The Town is trying to manage the lucrative Short-Term Rental (e.g., Airbnb) business.
- Despite concerns about the lack of affordable housing since the 1990s, only one project of six ownership houses has been completed since 1996. No deed restriction was included, with the result that there are no longer any affordable units on the island

## **Challenges:**

- The majority of housing and residential vacant land is owned by people with off-island tax addresses. These property owners may have less ability to or interest in supporting the year-round needs of Town government and management.
- There is little data to distinguish part-time residents who spend most of the summer and/or weekends year-round in Shelter Island, from those who rent to visitors during most of the year.
- There is little year-round rental housing for employees because seasonal and short-term rentals are much more lucrative.
- The few affordable housing projects that have been proposed since the 1996 project have resulted in quick opposition.
- For-profit developers are unlikely to become interested in affordable housing, especially rental housing to be owned and managed by the developer, under current market conditions in Shelter Island.

## **Goals & Objectives:**

- Assure that a supply of affordable housing on Shelter Island exists over time adequate to serve the diversity of the island's population and that any new housing be developed in a manner harmonious with the island environment.
- Create and maintain affordable housing opportunities for the diversity of age and income groups that make up shelter islands year-round population assure that new housing construction or conversions of existing housing will be carried out in harmony with the environment with the supply and quality of natural resources and with the particular style and character of shelter islands existing housing and traditional development pattern
- Assure that creation of affordable housing is undertaken with minimal impact upon Shelter Island taxpayers

## **Action Items:**

- Establish code and policy regarding the development of Accessory Dwelling Units through the use of grants, low interest loans, code amendments, and enforcement
- Update the existing Town Code to ensure that it is consistent with the goal of increasing year-round community housing opportunities.
- Develop educational materials and resources to assist and educate homeowners in the process of developing accessory dwelling units on their property
- Establish Funding sources for homeowners to develop year-round Accessory Dwelling Units
- Explore a community land trust model to maintain affordable housing in perpetuity
- Target outreach to seniors on the island to understand the needs of this growing population
- Establish a low interest loan program for first time home buyers
- Construct a maximum of 2 year-round rental units at 69 North Ferry Rd
- Construct a maximum of 8 year-round rental units at 12 South Ferry Rd
- Monitor the effectiveness of the short-term rental law and make necessary code adjustments to increase enforcement ability and renter safety

- Evaluate regulations for homes exceeding 6000 SFLA and determine standards for appropriateness of building size vs. lot size and type

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